



OVERVIEW OF ALIGNMENT AND PERFORMANCE PARTNERSHIP PROCESS IMPROVEMENTS

EPA-ECOS Alignment-PPA Work Group

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BACKGROUND DOCUMENTS AVAILABLE

- > Background documents are available on the websites of the EPA Office of the Chief Financial Officer (<http://www.epa.gov/ocfo/>), the EPA Office of Congressional and Intergovernmental Relations (<http://www.epa.gov/ocir/nepps>), and the Environmental Council of the States (<http://www.ecos.org/>).

FORWARD

This context paper was prepared by the Environmental Council of the States (ECOS) – U.S. Environmental Protection Agency (EPA) Alignment-Performance Partnership Agreement Work Group, also known as the Alignment-PPA Work Group (or, in this paper, the “Work Group”). The paper provides a contextual framework for a number of improvements to EPA and state-EPA planning activities, and the state-EPA performance partnership system. With input from other parties who have been working on these issues for years, the Work Group has identified several opportunities for states and EPA to improve communication, planning, and work sharing with the goal of assuring the most protective and cost-effective delivery of environmental protection performance in the United States.

PAPER OVERVIEW

This paper is intended to inform EPA and state agency staff who conduct joint state-EPA planning and priority setting, and/or those who are responsible for major planning efforts. Other key audiences for the paper include staff in states, EPA Regions, and EPA headquarters who are responsible for working on performance partnership agreements (PPAs), performance partnership grants (PPGs), and EPA Regional Plans, National Program Manager guidance, and Annual Performance Commitments.

The paper contains four sections:

- > Background and context on joint state-EPA planning;
- > The Work Group’s Vision and Operating Principles;
- > A brief overview of specific planning alignment and performance partnership improvements that have already been completed or are underway; and
- > An overview of planned next steps for the alignment-PPA effort.

Several appendices with related information, including contact information, memoranda to state agency commissioners, and EPA guidance, are also provided.

THE LARGER CONTEXT

The states and EPA have worked to conduct joint planning and priority-setting for many years. Many of these efforts have been successful and have resulted in effective state-EPA relationships and enhanced environmental protection performance. At other times, these joint dialogues and plans have been marked by challenging exchanges, high transaction costs yielding little understanding or agreement among the parties, and unclear results. Familiarity with major planning processes and historical milestones in joint state-EPA planning is helpful to appreciate the work being undertaken today.

The National Environmental Performance Partnership System

In 1995, state and EPA leaders agreed to develop a National Environmental Performance Partnership System (NEPPS) to build a shared (state-EPA) environmental management system that helps achieve the best results possible and takes full advantage of the unique strengths of the individual partners. NEPPS offers states and EPA the option to use two different (but often intertwined) tools: Performance Partnership Agreements (PPAs) and Performance Partnership Grants (PPGs). PPAs provide a framework for greater flexibility to direct resources to the most pressing environmental problems and the use of innovative strategies for solving complex problems; PPGs enable states to combine multiple

environmental program grants into a single grant mechanism, thereby streamlining administrative requirements and providing states with the flexibility to direct resources where they are most needed. At the end of March 2004, PPAs were in effect between EPA and 31 state environmental agencies, and more than 50 state environmental, public health, or agricultural agencies had elected to receive some or all of their grant funds through PPGs.

The experience with PPAs and PPGs has varied from state to state and from EPA region to EPA region. While many participants have found PPAs and PPGs to be valuable planning tools, others have expressed concerns that transaction costs are high, intended/expected performance results are unclear, or that the partnerships feel unbalanced toward one party or another.

Core Performance Measures

When the performance partnership effort began in 1995, states and EPA recognized the value of establishing a limited, shared set of performance measures that could be used to gauge progress in achieving environmental goals and implementing environmental programs across the country. The Core Performance Measures (CPMs) were designed to enable states and EPA to assess and report on environmental and programmatic accomplishments at the national level. CPMs were last adopted in 1999 for FY 2002 and beyond and have not been updated according to current priorities and measures, although individual EPA programs have since collaborated with states and state associations to make improvements in program measures. However, there is interest in establishing an up-to-date comprehensive framework for joint state-EPA performance measures.

Major Elements of EPA and State-EPA Planning Processes

To understand the improvements made in joint planning and PPAs developed by the Alignment-PPA Work Group, it is helpful to have a broad overview of the major elements of the processes that EPA, internally, and in increasing collaboration with states and tribes, implements to focus on the most important environmental results to achieve.

- › EPA Strategic Plan – Required by the Government Performance and Results Act (GPRA), the Strategic Plan sets out goals, objectives, and strategies for the coming five years and is updated at least every three years.
- › Annual Performance Plan and Budget – Also required by GPRA, the Annual Performance Plan provides Congress and the public with annual performance goals and performance measures that EPA commits to achieve in the upcoming fiscal year. EPA integrates its Annual Performance Plan and Budget into a single document that outlines requested funding and planned accomplishments for the year.
- › Regional Plans – Although some regional offices have completed their own strategic plans in the past (as outlined in more detail below), beginning in 2003, all regional offices developed plans that mirror the goal and objective structure of the EPA Strategic Plan and identify region-specific priorities and strategies for contributing to the outcomes in the EPA Strategic Plan.
- › National Program Manager (NPM) guidance – EPA's five major program offices (Water; Air and Radiation; Enforcement and Compliance Assurance; Solid Waste and Emergency Response; and Pesticides, Prevention, and Toxic Substances) provide regional offices and states with guidance on specific priorities and implementation strategies for the coming year.
- › Regional Annual Performance Commitments – Regions and NPMs negotiate and agree on regions' specific performance commitments for the coming year.
- › Performance Partnership Agreements or other state-EPA Agreements – Regions and states negotiate and reach agreement on priorities, strategies, and performance commitments for the coming one- or two-year period.

The EPA Managing for Improved Results Steering Group

The Managing for Improved Results Steering Group, created in July 2001, was charged by then EPA Deputy Administrator Linda Fisher to examine EPA management practices, including priority-setting, planning, budgeting, and performance tracking and reporting. The Steering Group explored options for significant and far-reaching reforms, as well as for smaller-scale improvements, and developed recommendations in the areas of planning, performance measurement, accountability, and advancing the practice of results-based management. In the fall of 2002, the Steering Group recommended steps for strengthening the alignment between the goals and objectives in the EPA Strategic Plan and the priorities, plans, and operations of the EPA regional offices and state partner agencies. Key Steering Group recommendations included reducing the number of goals in the EPA Strategic Plan, preparation of Regional Plans, reform of the Memorandum of Agreement process (the mechanism by which regions and NPMs have agreed on regional performance commitments for the coming year), and development of multi-year plans for improving performance measures. Among other objectives, these recommendations were intended to improve the planning coordination and communication between EPA regions and headquarters.

Establishment of the Work Group

In May 2003, ECOS and EPA co-sponsored a workshop to discuss joint planning process issues and opportunities. At that meeting, leaders from state agencies and EPA recognized that the planning alignment issues and concerns about NEPPS were intertwined. They agreed on the establishment of two EPA-ECOS Work Groups: an Alignment Work Group, co-chaired by Tom Fitzsimmons (then Director of the Washington State Department of Ecology) and David Ziegele (then Director of the Office of Planning, Analysis, and Accountability in EPA's Office of the Chief Financial Officer); and a PPA Work Group, co-chaired by Bob Huston (then Chair of the Texas Commission on Environmental Quality) and Dona DeLeon (Deputy Associate Administrator, Intergovernmental Relations, EPA's Office of Congressional and Intergovernmental Relations). In the summer of 2003, the two Work Groups joined forces into one group, the Alignment-PPA Work Group. To help focus its efforts, the combined Work Group established a vision and set of operating principles, which are included below.

In July 2003, the Work Group met and laid the groundwork for several of the alignment and performance partnership improvements described in this paper. The Work Group met again in November 2003 to agree on specific ways to strengthen and build on joint planning, and to plan specific activities, such as pilot projects to test improved joint planning concepts and an evaluation of the improvements enacted to date. With the departure of Tom Fitzsimmons and Bob Huston from their positions in Washington and Texas, ECOS' leadership on the Work Group shifted to Stephanie Hallock (Director of the Oregon Department of Environmental Quality) and Steve Owens (Director of the Arizona Department of Environmental Quality). David Ziegele and Dona DeLeon continued to serve as the EPA Co-chairs. The Work Group held its final meeting in Washington, D.C. on November 30-December 1, 2004 to review the results of the evaluations of the reforms to date and to agree on next steps.

VISION AND OPERATING PRINCIPLES

At its November 2003 meeting, the Work Group affirmed the following vision and operating principles to guide its ongoing work.

Vision Statement for Alignment of Planning Systems and Successful Performance Partnership Agreements

EPA and ECOS jointly aspire to create a dynamic set of environmental planning and priority setting systems that are strategically aligned and integrated to assure the most protective and cost-effective delivery of environmental protection services in the United States. The goal is to make improvements in environmental protection performance, and efficiently and continuously improve how well these systems work together.

Operating Principles

1. States should be given opportunities to bring their strategic thinking and priorities to EPA early in EPA's national and regional strategic planning, budgeting, and priority setting processes. EPA and the states should develop and utilize mechanisms that allow for early integration of state, local, and regional priorities into the national priority setting processes.
2. EPA and states will strive for as much consensus as possible in setting national, regional, and state-specific environmental goals, objectives, and priorities, recognizing that some tensions and legitimate constraints will exist for both states and EPA that need to be productively managed.
3. Regional Plans should be developed and will serve as a primary nexus between the national EPA Strategic Plan and state-specific strategic initiatives and/or plans. State-specific plans must be allowed to reflect individual state as well as federal priorities, and should encourage use of innovative and flexible approaches with accountability for results.
4. Joint planning and priority setting processes, particularly at the regional level, should be used to help EPA and the states more effectively delineate roles and responsibilities, integrate activities within and across media, and outline needed resources (i.e., FTEs, \$).
5. Performance plans and measurement systems that assure internal and external accountability for performance and that focus on environmental results need to be essential elements of the overall planning system. These systems need to be adaptive to support continuous improvement and need to be evaluated periodically to create joint learning opportunities for improvement.

OVERVIEW OF RECENT AND ONGOING IMPROVEMENTS

Improvements have been identified for the major EPA planning systems as well as the performance partnership process. The description of the planning improvements focuses on EPA's major planning systems, which affect states and tribes in their dealings with EPA. Individual states and tribes will also want to educate and engage their EPA counterparts in state and tribal planning initiatives. Performance partnership negotiations provide a significant opportunity to engage in joint planning; however, more routine joint planning and evaluation will ensure that all parties are regularly informed about and contributing to the planning and decision making that is of mutual interest.

Alignment of Planning Systems

The Work Group has identified planning alignment enhancements that take two forms: planning process alignment and planning directional/content alignment. Planning process alignment focuses on actions to ensure that state and EPA planning processes are optimally timed to foster collaboration and mutual influence. Planning direction/content alignment ensures agreement on roles, joint priorities, and accountability for results. Below is a high-level description of the current approach to EPA's planning alignment and the ways in which states and tribes are engaging as EPA's partners in planning processes.

The EPA Strategic Plan: Setting Long-term Goals and Strategies to Achieve Environmental Results

The EPA Strategic Plan is developed every three years and covers a five-year timeframe. The 2003 Strategic Plan includes EPA's national goals, objectives, sub-objectives, and strategic targets for 2003-2008. The Strategic Plan serves as the foundation for other major EPA planning and accountability processes, including the Regional Plans, NPM guidance, the Annual Performance Plan and Budget, and annual performance commitments between national programs and regions. The development of the 2003 Strategic Plan involved extensive outreach to states and tribes. The feedback received from states and tribes, including strong advice from ECOS to reduce the number of goals to focus on key results, helped to shape the final Strategic Plan.

EPA Regional Plans

Beginning in 2003, regions developed Regional Plans in conjunction with EPA program offices and state and tribal partners. Completed in April 2004, the Regional Plans describe how each EPA region will make progress toward the long-term goals and objectives in the EPA Strategic Plan. Several Regional Plans also highlight unique regional (and, in some cases, state and tribal) environmental conditions and problems, and describe the strategies and tools that will be employed to address these conditions and problems. The involvement of states and tribes in Regional Plan development has helped ensure that state and tribal priorities are understood and reflected, when appropriate, in the Regional Plans, and also that states and tribes know the regions' priorities for the next three years. The Regional Plans also provide the basis for the annual performance commitments, which are described below.

Regional Plan development was sequenced such that the draft Regional Plans were submitted prior to the issuance of final NPM guidance). This sequencing provided the opportunity for the national programs to consider regional priorities, unique regional conditions and problems, and specific regional needs when developing the NPM guidance.

Annual Planning and Budgeting Process

For each fiscal year (which runs from October through September), EPA develops an Annual Performance Plan and Budget, which identifies annual performance goals and measures, and the funding

EPA believes is necessary to make progress toward the long-term goals and objectives in its Strategic Plan. The budget and planning process takes approximately 18 months. For example, EPA began work on its FY 2006 Annual Performance Plan and Budget in the spring of 2004 with a series of goal meetings to discuss performance results to date and priorities in FY 2006. These discussions culminated with the May 18, 2004 Annual Planning Meeting, which involved ECOS and Tribal Caucus participants. Once EPA begins to formulate a “straw” FY 2006 budget, federal confidentiality requirements constrain the Agency from involving states and tribes in discussions involving the budget request. After the President announces the FY 2006 Budget in February 2005, however, EPA can freely discuss the budget with its state and tribal partners.

National Program Manager Guidance

The EPA National Program Manager guidance (or NPM guidance) are a series of documents outlining EPA’s major programmatic strategies for a three-year time period. The NPM guidance documents set three-year strategies (FY 2005-FY2007) for five EPA national programs to accomplish strategic Goals and Objectives set out in EPA’s 2003 Strategic Plan. The NPM guidance documents outline the specific activities that EPA regions will conduct and the measures they will share with the national programs.

In 2004, EPA made several important changes in its approach to developing NPM guidance. First, NPMs developed their guidance for a three-year period, to be consistent with timeframes established in the Agency’s Strategic Plan. In preparing their guidance, NPMs were encouraged to take advantage of the availability of the newly-drafted Regional Plans; any particular regional, state, or tribal concerns and priorities; or implementation strategies presented in the plans that could inform national approaches. NPMs were also urged to include draft measures, affording regions, states, and tribes an opportunity from the outset to participate in identifying performance goals and measures, setting targets, and determining annual regional commitments. For the first time, the Office of the Chief Financial Officer (OCFO) made the draft NPM guidance available on EPA’s Internet site for regional, state, and tribal review and comment. Some NPMs also invited state environmental professional associations and ECOS to provide feedback on the draft NPM guidance. Finally, EPA synchronized its development and issuance of the NPM guidance to release all of the guidance documents at once. This timing was intended to mesh as efficiently as possible with state, tribal, and regional planning processes, and to allow senior regional, state, and tribal managers to consider proposed priorities, strategies, and performance measures for all five programs at once, in a more streamlined process.

State & Tribal Participation at FY 2006 Planning Meeting and FY 2005 Performance and Accountability Meeting

EPA senior headquarters and regional managers meet annually in the spring to identify priorities for the upcoming Agency budget. Typically, representatives from ECOS and the Tribal Caucus attend only the first portion of the meeting to share their views on key performance and spending priorities for the coming year. With the endorsement of the Work Group, in 2004, ECOS and Tribal Caucus representatives attended the full day meeting of the Agency’s FY 2006 Planning Meeting, providing their priorities early in the day and participating in the group discussions of key results to achieve in FY 2006.

The FY 2005 Performance and Accountability meeting, held on March 8, 2004, provided the opportunity for EPA’s NPMs and regional managers to discuss how to translate longer-term planning and budget priorities into operations for the upcoming fiscal year. The discussion was informed by the 2003 Strategic Plan, draft Regional Plans, and draft NPM guidance. For the first time, state and tribal representatives attended the meeting and provided feedback to national programs on the content of draft NPM guidance. This meeting demonstrated the inter-connectedness between all of the major planning processes and the

need for multi-party communication, particularly when several related plans are being developed simultaneously.

Annual Commitment Process

Beginning in the summer of 2004, EPA regions and national programs used an automated annual commitment system to capture in a database each EPA region's annual performance commitments for achieving the national program's strategic goals and targets outlined in the NPM guidance documents. The process of developing and reaching agreement on annual commitments over the course of the summer allowed time for EPA regions, for the first time, to provide states and tribes with draft performance commitments and engage with them on those commitments before they became final. This streamlined process replaces the former Memoranda of Agreement process, relying on the Regional Plan strategies to provide the written justification for the annual commitments, particularly where regional commitments reflect region- or state-specific strategies designed to meet unique environmental or public health needs.

Performance Partnership Improvements

This section briefly describes the performance partnership enhancements that are underway.

Emphasis on Regular Joint Planning

One significant enhancement to the performance planning process is the emphasis on ongoing state-EPA joint planning, rather than waiting for the formal PPA (or PPG) negotiations to engage in joint planning. This shift in emphasis is intended to increase the likelihood that states and EPA not only keep each other informed about developments of mutual interest, but also engage in joint planning before major decisions have been made by one party that could later infringe upon the ability to fully negotiate anew in the context of PPAs or PPGs.

The Importance of "Strategic Thinking"

The development of a formal state strategic plan is not a prerequisite to successful joint planning and priority setting. Joint planning will be more productive and ultimately successful, however, if some degree of strategic thinking has taken place beforehand, and parties come prepared to make focused, sound arguments for specific resource requirements, desired flexibility, or recommended approaches. Strong strategic thinking would involve:

- > Characterizing those environmental problems that the state would like to address in the PPA;
- > Identifying strategies and approaches to address problems;
- > Outlining the key constraints surrounding the proposed strategies;
- > Describing the resources available for implementing the new strategies and any necessary disinvestments;
- > Identifying the flexibility or innovations needed; and
- > Describing the performance measures that will be used.

Essential PPA Elements

The Work Group has also recommended that PPAs cover specific subjects to help clearly define the state-EPA relationship and the work the parties agree to. The following essential elements still allow for a wide range of PPAs, both in terms of content (e.g., PPAs that cover all programs or just one) and structure:

1. Description of environmental conditions, priorities, and strategies

2. Performance measures for evaluating environmental progress
3. Process for joint evaluation on how well the PPA is working and agreement that identified improvement options be enacted
4. Description of structure/process for mutual accountability, including a clear definition of roles needed to carry out the PPA and an overview of how resources will be deployed to accomplish the work

An optional element of the PPA is a description of how the priorities in the PPA align with those in the Regional Plan, EPA Strategic Plan, and/or state strategic (or other related) plans.

Ensuring Definitive PPAs and PPGs

To assure that other agreements cannot automatically supersede PPAs and thereby ensure that PPAs and PPGs are authoritative, definitive agreements, the Work Group has identified the following guidelines to be followed by parties negotiating PPAs and PPGs.

- > PPA/PPG documents can clarify that one party cannot unilaterally change the PPA/PPG, or require actions or commitments that are in conflict with the PPA/PPG.
- > There will be times when PPAs need to be reopened. Reopening a PPA is acceptable.
- > Most changes to a PPA can and should be “saved up” and covered during mid-course reviews.
- > A formal PPA reopener clause is not a requirement, but such a clause may be included if both the EPA region and the state think that one is needed.
- > The Regional Administrators and State Commissioners are the ultimate decision makers for the PPA, especially in resolving disagreements among staff.
- > Program delegation agreements should be handled separately from the PPA process.

EPA’s Office of Congressional and Intergovernmental Relations (OCIR), the lead office for performance partnerships and co-lead office for the Work Group, recently issued NEPPS NPM guidance designed to better align EPA national, EPA regional, and state planning processes to result in more effective partnership agreements. This guidance supports and elaborates on the performance partnership improvements described in this paper.

ECOS Pilots

To stimulate state strategic planning and support the implementation of the planning alignment and PPA improvements, EPA awarded a cooperative agreement to ECOS in 2003. To advance these objectives and expand states’ capacity for results-based management, ECOS chose to use the bulk of the cooperative agreement funding to conduct “pilot projects” around the country. Eight pilot projects involving 22 states and six EPA regions are underway. States and regions participating in the pilots have shared and will continue to share their experiences related to joint planning and priority setting with the other states and EPA. Over time, it is expected that these pilots will yield lessons and experiences that, when applied elsewhere around the country, will help to minimize the transaction costs associated with joint planning and enable EPA and states to work together more effectively.

2004 EVALUATION OF IMPROVEMENTS

The effort to better align EPA and states’ planning and priority-setting processes is dynamic. Senior management from both EPA and the states have already committed time and considerable resources to deploying the improvements, but they also recognize the potential for more improvements in the future. Future progress will require the sustained commitment and creativity. As such, in fall 2004, the Work Group and EPA’s OCFO conducted two separate, but related, evaluations which tracked the planning

alignment and performance partnership progress, identified areas for further improvement, and ensured that needed improvements are identified and acted upon. The Work Group evaluation focused on state-EPA efforts to align state and EPA planning processes, promote joint planning and priority setting, and strengthen performance partnerships. OCFO conducted an internal EPA evaluation, focused on EPA's efforts to improve and better align regional and headquarters planning processes. The internal evaluation covered three major topic areas: (1) Regional Plans, (2) FY 2005-2007 NPM guidance, and (3) the annual commitment process and system. Evaluation results were based on approximately 70 interviews with states, all EPA regions, and five EPA national program offices. Evaluation results also considered a review of Regional Plans, NPM guidance documents, and the PPAs and PPGs associated with the states interviewed. Final reports from the evaluations are available on the ECOS website at <http://www.ecos.org/> and on EPA's website at <http://www.epa.gov/ocfo/>. The results of the two evaluations have helped inform the next steps of the Work Group and have highlighted areas of improvement in planning processes at the national, regional, and state levels.

CLOSING: ENSURING LONG-TERM PROCESS IMPROVEMENT IMPLEMENTATION

Many of the key components of planning alignment and performance partnership improvements have been identified, and the groundwork for these enhancements has been laid. The real work – testing, evaluating, and implementing these enhancements – has just begun. The Alignment-PPA Work Group's efforts reflect and build on the solid work that EPA and its state partners have undertaken over the past three decades. As such, the Work Group saw 2004 as a "roll-out" or test year for many of the specific enhancements above that have been identified through the efforts of the Work Group and others. The Work Group recognized that these improvements will be challenging to implement, and will require considerable time and resources to be fully integrated into EPA and state planning and priority-setting processes and cultures. Although the Work Group's last meeting was in November 2004, the newly-formed Partnership and Performance Work Group – established under the ECOS Planning Committee – will continue to advance state-EPA joint planning and priority setting. The new Work Group will specifically tackle how to enhance state capacity in results-based environmental management and explore improvements into the overall state-federal planning partnership effort. The Work Group will also look to further develop effective national measures and environmental indicators. The new Work Group is committed to advancing these concepts as a way to both strengthen and better harmonize state and EPA planning and priority-setting processes, and ultimately, to produce greater environmental results.